

## **Finance ministry to seek feedback on recent QFI relaxations**

As part of the ongoing efforts to kick-start investments through the qualified foreign investor (QFI) route, the finance ministry has called for a meeting with top foreign institutional investors (FIIs), including Citi, JP Morgan and HSBC.

The meeting, to be held tomorrow, will be chaired by Thomas Mathew, joint secretary (capital markets), Department of Economic Affairs. It will be attended by 30 participants including the chairmen of the Association of Mutual Funds in India and the Association of National Exchange Members of India. The government, which has stepped up efforts towards making this new route a success, will ask for views and feedback on the recent changes made to the QFI framework.

Last week, the ministry allowed residents of six member-countries of the Gulf Cooperation Council (GCC) and 27 member-countries of the European Commission (EC) to invest through the QFI route. It also created a separate \$1 billion quota for QFIs in corporate bonds and MF debt schemes. It also removed repatriation requirement on funds that remained not invested after five days. It further allowed QFIs to open individual rupee bank accounts for making securities transaction. Despite allowing QFIs to invest in equity and debt mutual fund schemes since April 2011, and in stock markets since January 2012, flows have not yet started to come through this route.

Market participants said recent changes were positive. However, teething issues over taxation still need to be addressed. Tax-related clarifications are pending with the Central Board of Direct Taxes (CBDT) and are unlikely to be raised at tomorrow's meeting. On May 29, the ministry in its release on the relaxation of measures had said, "Clarifications on tax-related issues for QFIs would be issued shortly by CBDT."

Meanwhile, the Securities and Exchange Board of India is working on providing more flexibility to QFIs for appointing custodians and brokers.

Apart from tax concerns, another reason holding back potential investors is lack of clarity about the scheme. One of the feedback that participants are likely to place before the ministry is to ask Sebi to come out with frequently asked questions on the QFI scheme.

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